

STAND. COM. REP. NO.

2528

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 2501  
S.D. 2

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 2501, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE RENTAL MOTOR VEHICLE SURCHARGE TAX,"

begs leave to report as follows:

The purpose of this measure is to repeal the \$2 a day rate of the rental motor vehicle surcharge tax, in effect from September 1, 1999, to August 31, 2008, retaining the \$3 a day rate.

Testimony in support of this measure was received from the Department of Taxation, the Department of Transportation, and the Cement and Concrete Products Industry of Hawaii. Catrala-Hawaii and The Hertz Corporation testified in support, with amendments. The Tax Foundation of Hawaii submitted comments.

Your Committee finds that under current law, the rental motor vehicle surcharge tax of \$3 per day will drop to \$2 per day after August 31, 2008. Maintaining the \$3 a day rate will build reserves in the State Highway Fund, which is critical to maintaining Hawaii's transportation infrastructure.

The Department of Taxation has testified that this measure will have no revenue impact on the general fund. However, the State Highway Fund will increase by \$13,300,000 in fiscal year 2009 (ten months), and \$16,000,000 in fiscal year 2010 and thereafter. Currently, the \$3 a day rental vehicle surcharge tax

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yields about \$48,000,000 annually. This total includes the taxes on other tour vehicles, such as vans and buses, but the taxes on these other vehicles account for less than one per cent of the total.

Your Committee finds that the fiscal resources this measure would provide should be considered in relation to other measures that would impact the State Highway Fund. Your Committee has amended this measure accordingly, by:

- (1) Replacing the \$3 a day rate with a blank amount; and
- (2) Making the effective date July 1, 2025, for the purpose of continuing discussions.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2501, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.B. No. 2501, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Taxation,

  
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CAROL FUKUNAGA, Chair



